



THE SOCIETY OF MASTER MARINERS SOUTH AFRICA

EXECUTIVE COMMITTEE

P.O. BOX 1956, CAPE TOWN 8000, SOUTH AFRICA

Vice-President's Report: June 2011

The 66th Congress of the Society, held in Simon's Town on the 27th of August last year, can be considered to have been a bit of a "watershed" for the Society.

During the previous year or so the Durban Branch had become dysfunctional and, with its decline, so had the Durban-based Executive Committee of the Society. There are several contributory reasons for this happening including:

- The sell-off and decline of the RSA-flagged fleet and its associated shore-based infrastructure over the last decade,
- The international re-acceptance of the RSA Certificate of Competency opening up excellent overseas work opportunities for qualified South Africans,
- The changes in RSA port operations and management leading to one of our core membership groups becoming dispersed through down-grading of their job's qualification requirements and affirmative action policies leading to wide scale resignations and retrenchments and, in many cases emigration of members.

At Congress our President, Graham Mannall explained the problems with the Durban Branch and Exco and advised Congress that he could not see any improvements in the immediate future. Congress therefore decided that the Executive Committee should be relocated to Cape Town with immediate effect.

Graham, who had only served one year of his two year term, agreed to stay on as President for the second year of his two-year term - even though based in Durban. It was further agreed that for practical purposes the Vice-President would run the day-to-day activities of the Society together with the other Cape Town-based members of the Executive Committee.

Normally the Society will decide on a relocation of the Executive at the Congress one year in advance of the actual move of the Committee. This is for good, practical reasons like ensuring all Central Fund and Benevolent Fund banking issues are sorted out, the Society records are up to date, the new members of the Executive Committee are identified and the acceptance of their appointments confirmed etc.

This carefully planned arrangement did not happen of course and your Executive Committee had to be summarily formed and voted into office on the spot at Congress. As it turned out,

no new volunteers were prepared to pick up the ball and so it fell to the members of the Cape Town Branch committee i.e. Master, Hon. Secretary and Hon. Treasurer to take on similar roles of Vice-President, Hon. Gen. Secretary and Hon. Gen. Treasurer. Had we not accepted these additional roles I honestly believe the Society would have collapsed!

A condition of our acceptance as these office-bearers was that during our year in office we would restrict our agenda to regularising the Societies affairs and limiting our activities to items approved for action by Congress. These were:

1. Obtaining audited accounts for the Central Fund and Benevolent Fund and relocating these accounts to Cape Town.
2. Resolving of the Society's (including the Benevolent Fund) tax affairs
3. Updating and correcting the Societies membership lists
4. Initiating the Master Mariner's NQF upgrade project
5. Reviewing of the Society's constitution
6. Marketing of the Society's 70th anniversary as well as the IMO "Year of the Seafarer" initiative.

I am pleased to report that your Cape Town-based Executive Committee has successfully initiated and in almost all cases completed these tasks and I report on them as follows:

Item 1. above - Obtaining audited accounts: Despite our concerns about FICA and the buracratic obstacles in the way of opening and/or relocating bank accounts and setting up of new signatories, we have now completed this and have all our accounts under good control. During this process we took full advantage of technology and now have access and control over the Central Fund and Benevolent Fund's accounts through internet-based banking. This has significantly eased and speeded up the Society's banking activities virtually making cash and cheques obsolete as well as reducing our banking costs.

The Society's Durban-based auditors, Baudin & Associates CC, produced a final set of annual accounts for the Central Fund and Benevolent Fund which were found acceptable by Exco.

Item 2. above - Resolving of the Society's tax affairs: Several meetings between the Society's new auditors, APBCO Auditors, have been held to discuss the tax situation of the Society as well as our Public Benefit Organisation (PBO) status.

On the 11th May 2011 I sent the following email to all Branch Masters and Secretaries which explained in some detail the Society's tax situation and our proposed solutions:

Currently only the Central Fund is registered with SARS and pays tax. This raises certain important points:

1. *The Benevolent Fund is not registered with SARS and does not pay tax.*
2. *None of the Branches are registered with SARS and do not pay tax.*
3. *Until such time as the Society, it's Branches and its associated Funds (i.e. Benevolent and Bursary Funds) have applied for and been granted exemption from income tax, they will be liable for tax.*

The Society, it's Branches and its associated Funds are eligible to apply for exemption from income tax as an "Association of Persons". Further, the Benevolent and Bursary Funds (but not the Society or the Branches) are also able to apply for Public Benefit Organization (PBO) status which will allow them to issue tax certificates to donors which in turn allows the donor to claim tax relief on their donation.

It is the opinion of our auditors and tax advisors that the most practical solution for the Society is to register two tax entities, namely:

- *The Society of Master Mariners South Africa (which includes the Central Fund and Branch accounts) as an “Association of Persons” applying in terms of Section 10(1)(d) of the Income Tax Act as a “society established to promote the common interests of persons carrying on a particular profession or occupation”.*
- *The SA Master Mariners Benevolent Fund (including the Bursary Fund) (or whatever other name we decide to give this particular Fund) applying in terms of Section 10(1)(cN) of the Income Tax Act as a “Public Benefit Organization” engaged in the specified Public Benefit Activities.*

Your Executive Committee is of the opinion that this is the route the Society should proceed with. In order to do so the following steps need to be taken:

1. *Prepare a full set of audited accounts for the financial year ending March 2011 for the following entities:*
 - *Benevolent Fund & Bursary Fund*
 - *Central Fund*
 - *Cape Town Branch*
 - *Port Elizabeth Branch*
 - *Durban Branch*
 - *Richards Bay Branch*
1. *Submit a tax return to SARS for the consolidated Benevolent Fund & Bursary Fund and a separate tax return for the consolidated Central Fund and Branch Funds. It should be pointed out that SARS currently has a Voluntary Disclosure Program (VDP) in place until the end of October 2011. This will allow the Society to regularise all of our tax affairs without being penalised or paying interest should we qualify.*
2. *Review the Society’s constitution and the Benevolent Fund constitution to ensure they comply with the SARS requirements to qualify for tax exemption status (and PBO status in the case of the Benevolent/Bursary Fund). This could imply quite significant changes particularly to the Benevolent Fund constitution which would have to consolidate the Bursary Fund and Benevolent Fund into a single fund with a broader beneficiary mandate and more narrowly defined activities than it has been the case up until now.*

The immediate, practical actions needed to progress the changes explained above are:

1. *All branches need to send Exco copies of their monthly bank statements for the financial period 1st April 2010 to 31st March 2011 to allow the auditors to prepare a full set of accounts and submit a consolidated tax return (if a Branch already has an audited set of accounts for this period then only the audited accounts are required. In future Branches will not need their own auditors as the Exco auditors will audit the consolidated accounts of the Society).*
2. *Exco’s appointed auditors are required by law to advise any other auditors appointed by the Branches of their appointment. Accordingly if your Branch has appointed auditors then please advise us of their names and contact details.*
3. *Exco will prepare amendments for the Society’s constitution and the Benevolent/Bursary Fund’s constitution for discussion at Branch AGM’s and for tabling for approval at this years Congress.*

A draft of an almost completely re-written Benevolent Fund constitution has recently been circulated to to all Branches for comment and it is our intention to seek approval for this new constitution at the annual Congress in September this year. Your Executive Committee now needs comments and/or approval from the Branches to progress this matter and bring it to a conclusion.

Item 3. above - Updating and correcting the Societies membership lists: This has been done in consultation with Branches and the latest membership lists can be viewed on our website.

Item 4. above - Initiating the Master Mariner’s NQF upgrade project: This is a long term project that needs input from the membership – something not generally forthcoming!

I have held meetings with SAIMENA in an attempt to seek a unified effort for this project given our common interests in the upgrading of our certificates of competency within the National Qualifications Framework (NQF).

We have agreed to collaborate and SAIMENA has appointed Edward Pines as their official representative in this regard. Edward is based at DUT and so the Society has asked Colin Johnsen, also of DUT, to represent the Society in leading this effort forward. Colin has a very full lecturing program and so needs significant help in developing the workbook concept needed as a basic requirement. Fortunately a very new Durban-based Society member (and serving ship's Master), Capt Hugo Schuitemaker, has volunteered to work with Colin on this important project and so I am confident that we will see some real progress now.

Item 5. Above - Reviewing of the Society's constitution: The Society needs to keep up to date with technology and the changing legal and maritime industrial environment within which we exist. Our constitution is now 70 years old and has been revised and modified many times over the years. In many ways I believe our organisational model and structure is out of date and needs to be thought through again from a zero base.

The legal changes to the requirements for Non-Profit Organisations generally and Public Benefit Organisations (PBO) specifically introduced by the Government in 2001 means that the Society's Benevolent and Bursary Funds cannot claim PBO status unless significant changes are made to their constitutions. This means that our first priority must be to these Fund's constitution while the Society's constitution's relatively minor changes must also be sorted out.

A draft Benevolent and Bursary Fund constitution has now been circulated to Branches as mentioned above.

Item 6. above - Marketing of the Society:

The November 2010 edition of the Southern African Shipping News ran a two-page feature on the Society on the occasion of our 70th anniversary. My thanks to Brian Ingpen for putting the article together and to Nick Sloane/Svitzer and Alan Reid/P&I Associates for providing supporting advertising.

Our website featured IMO's "Year of the Seafarer" prominently and has continued to be regularly updated.

Over and above these activities your Executive Committee has:

- Continued to meet every month, usually on the first Tuesday
- Entered into correspondence with the mainstream media on two occasions.
 - With the Editor of the Cape Times to welcome the SA Navy's deployment of ships in their anti-piracy initiative in the Mozambique Channel.
 - With the Editor of Business Day to lodge our objections to the SA Police's arresting of visiting ship's Masters on technicalities surrounding the carriage of weapons to protect the vessels against pirates.
- Continued our membership of IFSMA.

But what of the future? I hope we have taken enough steps to stabilise the Society for the immediate future. Essentially we find ourselves as a Society in the following situation:

- Of the two large Branches – Cape Town and Durban - only Cape Town is active albeit only a handful of members regularly attend monthly meetings and there is a general reluctance for members to accept appointment as office-bearers leaving a few willing souls the task or keeping things going. This is not sustainable longer term!
- As mentioned previously, Durban Branch has ceased to operate and we must now take the hard decision to close it down as a Branch until the members feel ready to take up the responsibility again. No group of members have come up with a workable Branch committee and I will propose running the Branch as effectively a sub-committee of Exco with Exco appointing a local Branch Representative to provide an interaction with Durban members as and when required. Durban's funds will be returned to Exco control, which, with Internet banking in place, can still be used for Durban initiatives if required.
- The two smaller Branches in Port Elizabeth and Richard's Bay continue to operate with just over a dozen members each. Richard's Bay is doing particularly well and celebrates the 25th anniversary of their establishment this year.
- The Society has lost its "champions" of the past – Port Captains, senior shipping executives, senior naval officers etc. – all influential men in senior industry positions who could manipulate the "old boy's network" to the benefit of the Society.
- The Society is well funded with the Central Fund operating on a healthy surplus of around R70,000. One of my key objectives this year has been to chase up members in arrears with the payment of their annual fees. I am pleased to report that this has been largely successful although some members have ignored our appeal and we need to decide on a cut-off point at which we must terminate these memberships and move on.
- The Benevolent Fund is also in good financial health with our Unit Trusts currently valued at close to R1,000,000 and the Call Account at R230,000. There has been no call on these funds for some years now and as can be seen from the new, draft Benevolent Fund constitution it proposes absorbing the Cape Town Branch Bursary Fund (currently worth R76,000) into a single fund for PBO purposes although Congress will still be able to decide on the split of these consolidated funds for use either for members and their dependents in need or for general bursaries.
- Despite our problems we have continued to attract some excellent new, younger members into the Society during the year and I am optimistic that there will be more to come.

Now that things are stabilised we need to refocus our energies at the future. We need to decide as a Society what we want to be and what we want to achieve in this New South Africa. Things have changed and we need to change as well. We have to decide where we fit in – do we want to be a "talk-shop" for old seadogs or do we want to be part of the process of maritime transformation in this country? While meeting socially and for fun must always be part of our activities, I am certain that all members expect us to be serious players in the

development of maritime policy, legislation and any other matters that effect our members competence, qualifications and safety.

I have my own ideas on the changes the Society needs to make to make ourselves relevant in the constantly changing maritime world we find ourselves. In the decades of South Africa's international isolation we lost our international vision within the developing maritime environment. Our world rotated mainly around Safmarine, Unicorn and the Harbour Services.

During this time, other international organisations like IMO, IFSMA and the Nautical Institute as well as our fellow Master Mariner organisations in New Zealand, Australia, UK and Canada moved on and built their international networks. These organisations are thriving – and so should we be!

During my visit to the Society's Branches I will be discussing these important issues in order to gauge the feeling of members and to refine our vision for the future. Our annual Congress will be held in September in Cape Town and I intend to have proposals concerning our future in place for debate at that time.

For those members who have shown commitment to the Society during this difficult period I offer my sincere thanks and ask that all members join in on the development of our Society into a modern, relevant and active Society that takes up its rightful position as a leading member of the South African maritime community.